

# ACCELERATED SETTLEMENT Moving to T+1

## What is T+1?

When trades are executed, there is usually a time lag between the 'trade date' (commonly referred to as 'T'), when the terms of the trade are agreed, and the 'settlement date', when the buyer receives the securities, and the seller receives the proceeds. This time lag exposes both parties to risk.

The settlement period has shortened over the last decade and the most common standard for securities is T+2, where the trade is settled two days after the trade date. Now, however, with the advancement of technology, potential risk reducing benefits and global developments with other jurisdictions moving to T+1, the UK is considering reducing its settlement period to T+1.

HM Treasury (HMT) has set up an Accelerated Settlement Taskforce to take this forward.

## UK Finance Recommendations – Should the UK move to T+1?

1. UK Finance members recommend that the UK awaits the implementation of the US move to T+1, to benefit from lessons learnt, with a focus on the investor experience. Otherwise, the UK risks a lost opportunity with regards to evidence-based analysis.
2. A thorough and detailed evidence-based cost-benefit analysis and a HMT consultation would place the UK in a better position to determine whether a move to T+1 would be advantageous within appropriate timeframes. This should be followed by HMT and the Financial Conduct Authority (FCA) publishing a roadmap with clarity on scope and timelines.



3. As a more immediate, intermediary step, UK Finance members recommend the introduction of non-mandatory guidelines, published by HMT and the FCA, endorsing trade matching and allocation on T0. (Before moving to more formal regulations as part of a future move to T+1).
4. UK Finance members recommend the publication of best practice guidance, designed by industry and endorsed by the FCA, to support a smooth transition.
5. UK Finance members recommend either a descoping of primary markets, or an update to FCA rules on the IPO timetable to facilitate a move to T+1.
6. Regulatory coordination and cooperation with the EU will be essential, given the interconnectedness of capital markets and international nature of UK markets. Alignment with other key jurisdictions where appropriate is also prudent.
7. UK Finance members commend the approach taken by the UK government and advocate for continued and structured dialogue which accommodates the breadth and diversity of stakeholders that would be impacted by a UK T+1 transition.

## UK Finance's suggested timetable

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| <b>December 2023</b> | Accelerated Settlement Taskforce to publish its initial recommendations.   |
| <b>May 2024</b>      | Implementation of T+1 in the US (and Canada).  |
| <b>December 2024</b> | The Accelerated Settlement Taskforce should reconvene to benefit from the data and analysis gleaned from the US move to T+1, alongside developments in market structure and innovations. In doing so, it should update its initial findings from December 2023.  |
| <b>May 2025</b>      | A more informed UK decision can be taken about the UK's move to T+1, leveraging all of the outcomes and analyses from the US. HMT should then publish a consultation on the Taskforce's recommendations to ensure an inclusive process, that considers the broad and global nature of investors in the UK's securities markets. This would ensure that a more informed UK decision is taken, leveraging all of the outcomes and analysis from the US and a greater range of market participants' feedback. |

